

Chapter 10

Insurance Premiums Tax

48.14.020(1)(a) - Title insurance

Description Title insurance companies are exempt from the 2.0% insurance premiums tax. They do, however, pay B&O tax under the 0.471% retailing classification and collect sales tax from their customers.

Purpose To reflect the fact that title insurance is subject to sales tax.

Taxpayer savings *(\$ in millions):*

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$6.970	\$8.110	\$8.870	\$9.840
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues. However, shifting the activity to the insurance premiums tax would result in a net decrease in tax collections.

Potential revenue gains from full repeal *(\$ in millions):*

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$7.440	\$8.870	\$9.840
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real estate excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The activity will also be subject to B&O and sales taxes.

Data Sources - Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1947
Primary Beneficiaries:	Title insurance companies
Taxpayer Count:	12
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

48.14.020(1)(a); 48.14.021 - Pensions, annuities, profit-sharing plans

Description Premiums received from policies or contracts issued in connection with a pension, annuity, or profit-sharing plan that is qualified under the Internal Revenue Code are exempt from insurance premiums tax. Most of the revenue impact is associated with annuities. Insurance companies receive little income related to pensions or profit-sharing plans.

Purpose To support pensions, annuities, and profit-sharing plans.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$136.420	\$141.970	\$147.760	\$153.780
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$130.139	\$147.760	\$153.780
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate reflects the compound annual growth rate of 4.1% based on insurance premium data.
- Most of the revenue impact is associated with annuities, and insurers have little income related to pensions or profit-sharing plans.

Data Sources

- Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	1963
Primary Beneficiaries:	Insurance companies with these products
Taxpayer Count:	190
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012, and expedited review completed in 2021

48.14.020(4) - Ocean marine insurance

Description Ocean marine and foreign trade insurers receive a preferential insurance premiums tax rate of 0.95% and a deduction for losses. Other domestic and foreign insurers pay a 2.0% insurance premiums tax without deduction for losses.

Purpose To support ocean marine commerce.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$2.970	\$3.180	\$3.410	\$3.660
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this insurance premiums tax preferential rate and deduction would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$2.920	\$3.410	\$3.660
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate reflects the compound annual growth rate of 9.49% based on insurance premium data.

Data Sources

- Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1947
Primary Beneficiaries:	Ocean marine and foreign trade insurers
Taxpayer Count:	79
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2009 and 2021

48.14.0201(6)(a) - Medicare receipts

Description Health maintenance organizations and health care service contractors are exempt from the insurance premiums tax on Medicare payments received from the federal government.

Purpose Reduces the cost of providing health care for Medicare patients.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$22.180	\$25.190	\$28.600	\$32.470
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would not increase revenues due to a federal preemption prohibiting state taxation of Medicare payments.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

No revenue impact due to a federal preemption prohibiting state taxation of Medicare payments.

Data Sources

Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Health maintenance organizations and health care service contractors that provide coverage for Medicare patients
Taxpayer Count:	40
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

48.14.0201(6)(b) - Washington Basic Health Care receipts

Description As provided in RCW 74.09.035, medical care receipts and Basic Health Care premiums are exempt from the insurance premiums tax.

Purpose To avoid taxing receipts from state sources.

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would not increase revenues because currently, no taxpayers use it.

Potential revenue gains from full repeal (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions The Basic Health Plan is no longer available. The marketplace exchange replaced it. No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Healthcare service contractors
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

48.14.0201(6)(c) - Dentistry prepayments

Description Health service contractors and health maintenance organizations are exempt from the insurance premiums tax for amounts received for dental coverage. However, this exemption does not apply to:

- Amounts received for pediatric oral services that qualify as coverage for the minimum essential coverage requirement.
- Stand-alone family dental plans when offered in the individual market or to a small group.

Purpose To reduce the cost of providing dental coverage.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$1.436	\$1.436	\$1.436	\$1.436
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$1.316	\$1.436	\$1.436
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on historical insurance premium data, the annual average of \$574.3 million for dental premiums and prepayments is a constant.

Data Sources

- Office of Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Healthcare service contractors
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021

48.14.0201(6)(d) - Participant contributions

Description Participant contributions by employers participating in a self-funded multiple employer welfare arrangement (MEWA) preempted from state taxation via the Employee Retirement Income Security Act of 1974 (ERISA), as amended, 29 U.S.C. Sec 1001, would be exempt from Washington’s insurance premiums tax. However, the U.S. Department of Labor has determined since 2005, via Advisory Opinion 2005-18A, that ERISA does not preempt Washington from assessing its premium tax on MEWAs.

This exemption was intended to apply if either the U.S. Department of Labor issued an advisory opinion or a federal court issued a declaratory ruling, finding that ERISA preempted specific categories of MEWAs from the state’s premium tax solely due to the entity being a MEWA.

Purpose To exempt participant contributions to MEWAs from premium tax if the U.S. Department of Labor or a federal court finds that ERISA preempts states from subjecting specific categories of MEWAs to state taxation.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would not increase revenues because currently no taxpayers use it.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

Data Sources

- U.S. Department of Labor, Advisory Opinion 2005-18A
- Office of Insurance Commissioner, Insurance premiums tax data

48.14.0201(6)(d) - Participant contributions

**Additional
Information**

Additional Information	
Category:	Business
Year Enacted:	2004
Primary Beneficiaries:	Small businesses
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	No review completed

48.14.022 - Health insurance by Washington State Pool

Description Carriers that receive premiums and prepayments from plan enrollees for health coverage provided under the Washington State Health Insurance Pool under Chapter 48.41 RCW are exempt from insurance premiums tax on those amounts. In addition, carriers, healthcare service contractors, and HMOs may deduct assessments paid to the Washington State Health Insurance Pool from their taxable premiums. Any unused portion of the deduction can be carried forward and used in successive years until the deduction is exhausted.

Purpose To reduce the cost of providing health insurance to persons otherwise unable to obtain coverage because they may be considered high risk.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.418	\$0.427	\$0.435	\$0.443
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues. However, this could cause insurers to pass the amount of the assessment on to their regular policyholders and make health insurance more expensive for the general population.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.391	\$0.435	\$0.443
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
 - The growth rate mirrors the growth rate of insurance premiums, as reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
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Data Sources

- Washington State Health Insurance Pool, Annual reports
 - Economic and Revenue Forecast Council, March 2023 forecast
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48.14.022 - Health insurance by Washington State Pool

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Persons with coverage under the Health Insurance Coverage Access Act
Taxpayer Count:	880
Program Inconsistency:	None evident
JLARC Review:	Full review completed in 2012, and an expedited review completed in 2021

48.32.145; 48.32A.125 - Insurance guarantee association assessments

Description Property, casualty, life, and disability insurers may claim credit against their insurance premium tax for assessments made by the Washington Insurance Guarantee Association to pay covered claims of insolvent insurers. The credit may be taken over five years.

Purpose To ensure that claims against insolvent insurance companies are paid and the cost does not burden policyholders of the surviving companies.

Taxpayer savings

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.042	\$0.042	\$0.042	\$0.042
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this credit would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$0.038	\$0.042	\$0.042
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 0.05% based on historical insurance credit data.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Insurance companies
Taxpayer Count:	800
Program Inconsistency:	The state does not typically become involved in the payment of debts of private firms
JLARC Review:	Expedited review completed in 2021

48.36A.240 - Fraternal benefit societies

Description Fraternal benefit societies governed by Chapter 48.36A RCW are exempt from all state and local taxation other than taxes on real estate and office equipment. As a result, fraternal benefit societies are exempt from insurance premiums tax on policies they provide for their members.

Purpose To support the programs of fraternal benefit societies.

Taxpayer savings (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$3.893	\$3.893	\$3.893	\$3.893
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2024	FY 2025	FY 2026	FY 2027
State Taxes	\$0.000	\$3.569	\$3.893	\$3.893
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on historical insurance premium data, the annual average of \$194 million in premium income is a constant.

Data Sources

- Office of the Insurance Commissioner, Insurance data

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1947
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	23
Program Inconsistency:	None evident
JLARC Review:	Expedited review completed in 2021